

OUTPATIENT MEDICAL CENTER, INC.
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
JANUARY 31, 2021

OUTPATIENT MEDICAL CENTER, INC.
January 31, 2021
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BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Outpatient Medical Center, Inc.
Natchitoches, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Outpatient Medical Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2021, and the related statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Outpatient Medical Center, Inc., as of January 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


Other-Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2022, on our consideration of Outpatient Medical Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Outpatient Medical Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Outpatient Medical Center, Inc.'s internal control over financial reporting and compliance.


Ridgeland, Mississippi
January 11, 2022

OUTPATIENT MEDICAL CENTER, INC.
Statement of Financial Position
January 31, 2021

<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 1,722,515
Patient care receivables, less allowance of \$2,464,785 for doubtful accounts	<u>468,818</u>
Total Current Assets	<u>2,191,333</u>
Fixed Assets:	
Land	136,500
Building and improvements	4,108,759
Furniture and equipment	1,829,047
Leasehold improvements	95,187
Vehicles	<u>26,327</u>
	6,195,820
Less: Accumulated depreciation	<u>(3,979,904)</u>
Net Fixed Assets	<u>2,215,916</u>
 TOTAL ASSETS	 <u>\$ 4,407,249</u>

The accompanying notes are an integral part of these financial statements.

OUTPATIENT MEDICAL CENTER, INC.
Statement of Financial Position
January 31, 2021

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 80,002
Other payroll deductions payable	9,297
Salaries payable	98,177
Accrued annual leave	70,072
Refundable advance	884,793
Notes payable, current portion	<u>37,908</u>
Total Current Liabilities:	<u>1,180,249</u>

Long-Term Liabilities

Notes payable	1,113,770
Less: current portion	<u>(37,908)</u>
Total Long-Term Liabilities	<u>1,075,862</u>

Total Liabilities	<u>2,256,111</u>
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Net Assets:

Without Donor Restrictions	
Undesignated (operating)	<u>2,151,138</u>
Total Net Assets	<u>2,151,138</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,407,249</u>
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The accompanying notes are an integral part of these financial statements.

OUTPATIENT MEDICAL CENTER, INC.
Statement of Operations and Changes in Net Assets
For the Year Ended January 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTALS</u>
SUPPORT AND REVENUES (Note 2)			
Support:			
Grants and contracts	\$ 4,188,927	50,000	\$ 4,238,927
Net assets released from restrictions	<u>63,993</u>	<u>(63,993)</u>	<u>-</u>
Total Support	<u>4,252,920</u>	<u>(13,993)</u>	<u>4,238,927</u>
Revenue:			
Health care services, net of charity, bad debts and contractual adjustments of \$2,041,650	1,176,496	-	1,176,496
Fundraising income	87,729	-	87,729
Gain on sale of fixed assets	3,000	-	3,000
Forgiveness of debt income	707,100	-	707,100
Interest income	-	-	-
Other income	<u>29,862</u>	<u>-</u>	<u>29,862</u>
Total Revenue	<u>2,004,187</u>	<u>-</u>	<u>2,004,187</u>
TOTAL SUPPORT AND REVENUES	<u>6,257,107</u>	<u>(13,993)</u>	<u>6,243,114</u>
EXPENSES			
Program Services			
Health care services	2,435,466	-	2,435,466
Community services	<u>142,491</u>	<u>-</u>	<u>142,491</u>
Total Program Services	<u>2,577,957</u>	<u>-</u>	<u>2,577,957</u>
Supporting Services			
Management and general	2,717,863	-	2,717,863
Fundraising	<u>75,959</u>	<u>-</u>	<u>75,959</u>
Total Supporting Services	<u>2,793,822</u>	<u>-</u>	<u>2,793,822</u>
TOTAL EXPENSES	<u>5,371,779</u>	<u>-</u>	<u>5,371,779</u>
Change in Net Assets	885,328	(13,993)	871,335
Net Assets, Beginning of Year	821,111	13,993	835,104
Prior period adjustment	<u>444,699</u>	<u>-</u>	<u>444,699</u>
Net Assets, as restated	<u>1,265,810</u>	<u>13,993</u>	<u>1,279,803</u>
Other changes in net assets	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 2,151,138</u>	<u>-</u>	<u>\$ 2,151,138</u>

The accompanying notes are an integral part of these financial statements.

OUTPATIENT MEDICAL CENTER, INC.
Statement of Functional Expenses
For the Year Ended January 31, 2021

	Health Care Services	Community Services	Total Program Services	Management and General	Fundraising	TOTALS
Personnel	\$ 1,435,253	99,183	1,534,436	1,284,146	11,024	\$ 2,829,606
Fringe benefits	322,560	11,847	334,407	195,519	1,128	531,054
Travel	425	382	807	4,956	-	5,763
Supplies	263,398	906	264,304	55,985	1,101	321,390
Equipment rental	105,121	-	105,121	60,258	-	165,379
Contractual	148,152	20,212	168,364	241,628	-	409,992
Equipment expense	187	-	187	484	-	671
Legal and accounting	-	-	-	2,212	-	2,212
Dues and subscriptions	92,152	165	92,317	13,144	8,119	113,580
Utilities	-	915	915	21,815	-	22,730
Repairs and maintenance	61,584	-	61,584	88,044	7,480	157,108
Insurance	-	-	-	55,050	-	55,050
Staff recruitment	106	-	106	34,877	-	34,983
Advertisement	-	5	5	12,589	727	13,321
Security	976	-	976	-	-	976
Continuing education	913	-	913	106	-	1,019
Communications	4,279	4,670	8,949	156,105	-	165,054
Janitorial	-	-	-	-	-	-
Space cost	-	3,496	3,496	142,484	39,345	185,325
Interest	-	-	-	94,664	-	94,664
Taxes, licenses and fees	-	-	-	-	2,201	2,201
Bank charges	331	-	331	13,039	-	13,370
Food and beverage	12	-	12	200	-	212
Board expenses	-	-	-	140	-	140
Property taxes	-	-	-	13,809	-	13,809
Other	17	710	727	15,746	4,834	21,307
Total expenses before depreciation	<u>2,435,466</u>	<u>142,491</u>	<u>2,577,957</u>	<u>2,507,000</u>	<u>75,959</u>	<u>5,160,916</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,863</u>	<u>-</u>	<u>210,863</u>
Total Expenses	<u>\$ 2,435,466</u>	<u>142,491</u>	<u>2,577,957</u>	<u>2,717,863</u>	<u>75,959</u>	<u>\$ 5,371,779</u>

The accompanying notes are an integral part of these financial statements.

OUTPATIENT MEDICAL CENTER, INC.
Statement of Cash Flows
For the Year Ended January 31, 2021

CASH FLOWS USED FOR OPERATING ACTIVITIES:	
Changes in Net Assets	\$ 871,335
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation expense	210,863
Prior period adjustment	444,699
Decrease (increase) in:	
Patient care receivables	203,383
Debt issuance costs	31,831
Prepaid expenses	8,996
Increase (decrease) in:	
Accounts payable	(854,292)
Accrued salaries payable	98,177
Other payroll deductions payable	6,234
Refundable advance	884,793
Other liabilities	(7,255)
Accrued annual leave	<u>70,072</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,968,836</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of fixed assets	(80,183)
Reclassification of accumulated depreciation	<u>(326,849)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(407,032)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal reduction in notes payable and capital leases	(74,188)
Repayments of line of credit	<u>(33,576)</u>
NET CASH (USED IN) FINANCING ACTIVITIES	<u>(107,764)</u>
NET INCREASE (DECREASE) IN CASH	1,454,040
CASH, BEGINNING OF YEAR	<u>268,475</u>
CASH, END OF YEAR	<u>\$ 1,722,515</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>	
Cash paid during the year for:	
Interest expense	<u>\$ 94,664</u>

The accompanying notes are an integral part of these financial statements.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2021

NOTE 1 - ABOUT THE ORGANIZATION

Outpatient Medical Center, Inc. (OPMC), a non-profit corporation, was incorporated in the State of Louisiana as of December 1997. The primary purpose of the Corporation is to provide outpatient health care in a medically underserved area to patients who otherwise would have limited access to health care. The Corporation is supported through a grant from Public Health Service, a component of the U.S. Department of Health and Human Services.

The fiscal year of OPMC is February 1 to January 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of Outpatient Medical Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - The Organization is required to report information regarding its financial position and operations according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the Organization is required to present a statement of functional expenses.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification 958, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$5,000 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 40 years.

The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition, as well as any disposition proceeds, is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding source.

I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the Statement of Operations as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

J. Employees' Annual Leave - OPMC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.

K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Net Patient Service Revenues and Provision for Bad Debt - Net patient service revenue is reported at the estimated net realized amounts from patients, third-party payors and others for services rendered, including estimated retroactive and prospective adjustments under reimbursements agreements with third-party payors. Third-party payors retain the right to review and propose adjustments to amounts reported by the Organization. Such adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. Additions to the allowance for doubtful accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance. The amount of the provision for bad debt is based upon management's assessment of historical expected net collections, business and economic conditions, trends in Federal and state governmental health care coverage, and other collection indicators. Services rendered to individuals when payment is expected and ultimately not received are written off to the allowance for doubtful accounts.

- M. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information, and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.
- N. Debt Issuance Costs - Debt issuance costs are recorded at cost and amortized on a straight-line basis over the term of the debt (15 years).
- O. Classification of Net Assets - Net Assets of OPMC are classified based on the presence or absence of donor-imposed restrictions. Net Assets are comprised of two groups as follows:
- a) Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.
- b) Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the organization. Certain restrictions may need to be maintained in perpetuity.

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Organization's financial instruments, none of which are held for trading purposes, are as follows:

Financial assets:	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$1,722,515	\$1,722,515
Financial liabilities:	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term notes payable	\$1,113,770	\$1,113,770

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2021

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in eight (8) financial institutions located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the year, the Organization's cash deposits may exceed the federally insured limits and at January 31, 2021, its uninsured deposits totaled \$1,155,204.

NOTE 5 - LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

The following table reflects the Organization's financial assets as of January 31, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with donor restrictions at January 31, 2021.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021
Cash and cash equivalents	\$ 1,722,515
Net patient receivables	468,818
Total financial assets	2,191,333
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,191,333

NOTE 6 - PATIENT CARE RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Patient accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at January 31, 2021:

Accounts receivable:	Amount
Patients	\$ 47,613
Government	2,526,620
Other	359,370
	\$ 2,933,603

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2021

NOTE 6 - PATIENT CARE RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS (Continued)

Allowance for doubtful accounts is summarized as follows at January 31, 2021

Allowance	Amount
Patients	\$ 154,674
All Other	<u>2,310,111</u>
	<u>\$ 2,464,785</u>

NOTE 7 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at January 31, 2021:

Patient Service Revenue	Amount
Patient Service Revenue	\$ 3,218,145
Less: Contractual adjustment under third-party reimbursement program and discounts	(383,650)
Provision for bad debts	<u>(1,658,000)</u>
Net Patient Service Revenue	<u>\$ 1,176,495</u>

NOTE 8 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation carried in the general property fund.

Assets	
Land	\$ 136,500
Buildings and Improvements	4,108,759
Leasehold Improvements	95,187
Furniture and Equipment	1,829,047
Vehicles	<u>26,327</u>
Total Property and Equipment	<u>6,195,820</u>
Less: Accumulated Depreciation	<u>(3,979,904)</u>
Net Property and Equipment	<u>\$ 2,215,916</u>

Depreciation expense for the year ended January 31, 2021 totaled \$210,863.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2021

NOTE 9 - CORPORATE INCOME TAXES

The Organization is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes. Therefore, no provision has been made for Federal or state corporate income taxes in the accompanying financial statements.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's federal and state income tax returns for 2018, 2019, and 2020 are subject to examination by the federal, state, and local taxing authorities, generally for three years after they are filed.

NOTE 10 - RETIREMENT PLAN

The Organization has a Section 403(b) plan for all eligible employees. To be eligible, an employee must be employed with the Organization for at least one year and must be at least eighteen years of age. For the year ended January 31, 2021, the plan was properly funded. Retirement expense recognized was \$26,908 for the year ended January 31, 2021.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at January 31, 2021 in the amount of \$70,072 is included in the financial statements. See Note 2.J. above.

NOTE 12 - SUMMARY OF FUNDING AND SUPPORT

Outpatient Medical Center's operations are funded through restricted grants from HHS. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Department of Health and Human Services - Health Center Cluster	H80CS00513	2/1/20-1/31/21	\$ 3,744,515
U.S. Dept. of HHS - CARES Act Grant	H8DCS35752	2/1/20-1/31/21	58,401
U.S. Dept. of HHS - COVID Testing Grant	H8ECS38769	2/1/20-1/31/21	231,882
U.S. Dept. of HHS - COVID-19 Grant	HICCS35024	2/1/20-1/31/21	36,442
Rapides Foundation	N/A	2/1/20-1/31/21	15,780
Other Grants	N/A	2/1/20-1/31/21	2,926
Black Women's Health Imperative	1NU58DP006367-01-00	2/1/20-1/31/21	50,000
Louisiana Primary Care Association	N/A	2/1/20-1/31/21	68,981
Delta Dental	N/A	2/1/20-1/31/21	30,000
TOTALS			\$ 4,238,927

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2021

NOTE 13 - NOTES PAYABLE

Notes payable consist of the following at January 31, 2021:

Notes payable to Bank of Montgomery; fixed interest rate of 5.75% due in monthly installments of \$8,428 which includes principal and interest; matures October 2024; secured by real estate.

\$ 1,113,770

Maturities of long-term debt are as follows:

	Principal	Interest	TOTAL
2022	\$ 37,908	63,232	\$ 101,140
2023	40,146	60,994	101,140
2024	42,516	58,624	101,140
2025	45,027	56,114	101,141
2026	47,685	53,455	101,140
Thereafter	900,488	367,566	1,268,054
Totals	\$ 1,113,770	659,985	\$ 1,773,755

NOTE 14 - REFUNDABLE ADVANCES

The Organization records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue. The activity in the refundable advance account is reported as follows:

Provider Relief Fund	\$ 884,793
Refundable advances, end of year	\$ 884,793

NOTE 15 - LITIGATION

Outpatient Medical Center, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers, and other insurance coverage in amounts the Organization believes to be adequate. The Organization requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

In the ordinary course of its business, Outpatient Medical Center, Inc. is a party to claims and legal actions by enrollees, providers, and others. After consulting with legal counsel, the Organization is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits, or investigations will not have a material adverse effect on the financial position or results of operations of Outpatient Medical Center, Inc.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2021

NOTE 16 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 43% of the Organization's funding is provided by direct grants from the U.S. Department of Health and Human Services.

NOTE 17 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources.

Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Uniform Guidance. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 18 - OPERATING LEASES

Future minimum lease payments for the Leesville site under noncancelable operating leases with initial or remaining terms in excess of one year at January 31, 2021, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2022	\$ 107,952
2023	<u>28,800</u>
Total minimum lease payments	<u>\$ 136,752</u>

NOTE 19 - NET PATIENT SERVICE REVENUE

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors and others for services rendered including estimated retroactive adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

OUTPATIENT MEDICAL CENTER, INC.
Notes to the Financial Statements
January 31, 2021

NOTE 20 - ADVERTISING

Outpatient Medical Center, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ended January 31, 2021, advertising cost totaled \$13,322.

NOTE 21 - PAYCHECK PROTECTION PROGRAM - LOAN FORGIVENESS INCOME

Outpatient Medical Center, Inc. was granted a \$707,100 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. Outpatient Medical Center, Inc. initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. Outpatient Medical Center, Inc. recognized \$707,100 of loan forgiveness income for the year ended January 31, 2021.

NOTE 22 - PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of FY 2021 have been adjusted to include the voiding of duplicate accounts payable invoices from the prior year. The reclassification has no effect on the results of the current year's activities; however, the cumulative effect increases beginning net assets by \$444,699.

NOTE 23 - SUBSEQUENT EVENTS

Events that occur after the Statement of Financial Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Position date require disclosure in the accompanying notes. Management of Outpatient Medical Center, Inc. evaluated the activity of the Organization through January 11, 2022.

COVID-19 Pandemic

The Organization's major Grantee, Health Resources and Services Administration, supplemented Outpatient Medical Center, Inc. by awarding them with the following grants in the subsequent period:

FY 2021 American Rescue Plan - \$1,750,000 - Issued 3-27-2021

FY 2021 Health Center Infrastructure Support - \$589,056 - Issued 9-20-2021

SUPPLEMENTARY INFORMATION

SCHEDULE A

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Compensation, Benefits, Reimbursements, and Other Payments to Chief Executive Officer
 For the Year Ended January 31, 2021

In accordance with Act 706 passed during the 2014 regular Louisiana Legislative Session, the compensation, benefits, reimbursements and other payments to the Chief Executive Officer are presented as follows:

<u>Category</u>	<u>Amount</u>	<u>Total</u>
Salary	\$ <u>171,646</u>	
Total salary		\$ 171,646
Benefits:		
Health insurance	\$ 42,619	
Retirement	<u>14,287</u>	
Total benefits		56,906
Travel:		
Travel	<u>910</u>	
Total travel		<u>910</u>
Total Compensation, Benefits, Travel, and Other Expenses		\$ <u>229,462</u>

OUTPATIENT MEDICAL CENTER, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2021

Federal Grant/ Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration Bureau of Primary Health Care			
Direct Grants:			
Health Center Cluster			
Consolidated Health Centers	93.224	H80CS00513	\$ 670,423
Affordable Care Act Grant for New and Expanded Services Under the Health Care Program	93.527	H80CS00513	3,074,092
COVID-19 Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding	93.224	H80CS35752	58,401
COVID-19 FY 2020 Coronavirus Supplemental Funding for Health Centers	93.224	HICCS35024	36,442
COVID-19 FY 2020 Expanding Capacity for Coronavirus Testing (ECT)	93.224	H8ECS38769	<u>231,882</u>
Total Health Center Cluster			<u>4,071,240</u>
Pass through Black Women's Health Imperative National Diabetes Prevention Program	93.261	1NU58DP006367-01-00	<u>50,000</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,121,240</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,121,240</u>

OUTPATIENT MEDICAL CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2021

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Outpatient Medical Center, Inc. under programs of the federal government for the year ended January 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Outpatient Medical Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Outpatient Medical Center, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDIRECT COST RATE

Outpatient Medical Center, Inc. does not have indirect cost and has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Outpatient Medical Center, Inc.
Natchitoches, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Outpatient Medical Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2021, and the related statement of operations and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Outpatient Medical Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Outpatient Medical Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Outpatient Medical Center, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-1 and 2021-2, that we consider to be significant deficiencies.

Compliance and Other Matters

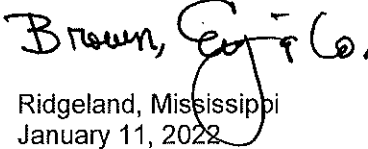
As part of obtaining reasonable assurance about whether Outpatient Medical Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Outpatient Medical Center's Response to Findings

Outpatient Medical Center, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Outpatient Medical Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Ridgeland, Mississippi
January 11, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Outpatient Medical Center, Inc.
Natchitoches, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Outpatient Medical Center, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Outpatient Medical Center, Inc.'s major federal programs for the year ended January 31, 2021. Outpatient Medical Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Outpatient Medical Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Outpatient Medical Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Outpatient Medical Center, Inc.'s compliance.

Basis for Qualified Opinion on Health Center Cluster, CFDA #93.224 Consolidated Health Centers and CFDA #93.527 Affordable Care Act Grant for New and Expanded Services Under the Health Center Program

As described in the accompanying schedule of findings and questioned costs, Outpatient Medical Center, Inc. did not comply with requirements regarding Special Tests and Provisions-Sliding Fee Discount of CFDA #93.224 Consolidated Health Centers and CFDA #93.527 Affordable Care Act Grant for New and Expanded Services Under the Health Center Cluster Program as described in finding number 2021-3. Compliance with such requirements is necessary, in our opinion, for Outpatient Medical Center, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Health Center Cluster Program

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, Outpatient Medical Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Health Center Cluster program for the year ended January 31, 2021.

Report on Internal Control Over Compliance

Management of Outpatient Medical Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Outpatient Medical Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Outpatient Medical Center, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Outpatient Medical Center, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Outpatient Medical Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Eyr Co.
Ridgeland, Mississippi
January 11, 2022

OUTPATIENT MEDICAL CENTER, INC.
Summary Schedule of Prior Audit Findings
Year Ended January 31, 2021

Finding 2020-1

Condition

We noted that account activity from September 2019 through January 2020 for a number of accounts was not recorded in the general ledger.

Current Status:

Corrected

Finding 2020-2

Condition

The accounts payable balance in the general ledger could not be reconciled to the subsidiary ledger.

Current Status:

Corrected

Finding 2020-3

Condition

We noted that after an upgrade to the patient management system in September 2019, no postings were made to the general ledger control accounts for patient receivables or to the patient subsidiary ledger.

Current Status:

Corrected

Finding 2020-4

Condition

Bank accounts were not reconciled monthly to the general ledger.

Current Status:

Corrected

Finding 2020-5

Condition

Outpatient Medical Center, Inc. did not ensure that its Single Audit was completed within nine (9) months of its fiscal year end.

Current Status:

Corrected

Finding 2020-6

Condition

The audit report for the year ended January 31, 2020 was not submitted within the six (6) months after year end or the approved extended period as required by the Louisiana Legislative Auditor.

Current Status:

Corrected

OUTPATIENT MEDICAL CENTER, INC.
 Schedule of Findings and Questioned Costs
 Year Ended January 31, 2021

Section 1: Summary of Auditor's Results

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued on the financial statements. | Unmodified |
| 2. | Material noncompliance relating to the financial statements. | None |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Modified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 6. | Audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a)? | Yes |

7. Federal programs identified as major programs:

<u>HEALTH CENTERS CLUSTER</u>	<u>CFDA NUMBER</u>
Consolidated Health Centers Grant	93.224
Affordable Care Act Grants	93.527

- | | | |
|----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and Type B programs: | \$750,000 |
| 9. | Auditee did not qualify as a low-risk auditee. | |

Section 2: Findings - Financial Statements Audit

Finding 2021-1

SEGREGATION OF GRANT EXPENDITURES

Condition

Expenditures for some grant funding could not be tracked separately within the Organization's accounting records.

OUTPATIENT MEDICAL CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2021

Cause

Failure to follow proper Fund accounting procedures

Effect

Additional time was spent reclassifying costs from client spreadsheets

Criteria

The Organization's Fiscal Management Policy states that the accounting system will be organized and operated on a fund basis.

Recommendation

The Organization should strengthen internal administrative controls to ensure that all grant funding whose use is limited by donor, grant authority or governing agency is segregated in the Organization's chart of accounts into a series of separate funds. Through this use of fund accounting, the Organization can individually track receipts and expenditures by each funding award separately within the general ledger to ensure compliance and reporting accuracy.

Finding 2021-2

ANALYSIS AND ADJUSTMENT OF ALLOWANCE FOR DOUBTFUL ACCOUNTS

Condition

The allowance for doubtful accounts at year-end was not properly adjusted.

Cause

Periodic adjustments were not made to the allowance account to properly write off uncollectible receivables.

Effect

Overstatement of receivable (assets) and understatement of bad debt (expense) in the accounting records.

Criteria

The Health Center Program Compliance Manual states that "The health center has and utilizes a financial management and internal control system that reflects Generally Accepted Accounting Principles (GAAP)...and ensures effective control over, and accountability for, all funds, property, and other assets associated with the Health Center Program project."

Recommendation

The Organization should review the adequacy of the allowance during the year and appropriately adjust the allowance. This can be done by conducting an overall evaluation of the accounts and reviewing the success rate of collection efforts. These efforts should minimize the need for a year-end adjustment of this account as well as improve the accuracy of interim financial statements.

OUTPATIENT MEDICAL CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2021

Section 3: Findings and Questioned Costs - Major Federal Award Program Audit

Finding 2021-3

SPECIAL TESTS AND PROVISIONS - SLIDING FEE DISCOUNT

U. S. Department of Health and Human Services
Health Center Cluster Grant; CFDA #93.224 and #93.527

Condition

During our test of sliding fee patients, we noted three (5) instances out of 25 patient files reviewed in which the sliding fee discount was calculated incorrectly.

Cause

Failure to follow established Clinic procedures.

Effect

Improper calculation of sliding fee discount.

Criteria

Department of Health & Human Services guidelines, Section 330 of the PHS Act and 42 CFR Part 51c.303(f) which states Health Centers must provide a full discount to individuals with an annual income at or below 100% of the poverty guidelines and for those with incomes between 100% and 200% of poverty, fees must be charged in accordance with a sliding discount policy based on family size and income.

Recommendation

The Organization should strengthen internal administrative controls to ensure that appropriate documentation is maintained on file to support a patient's family income. The Organization should also ensure the fees charged and level of discount a patient receives is calculated correctly based on income and family size.



Outpatient Medical Center
Providing Quality Healthcare To All

Corrective Action Plan

Finding 2021-1 – Segregation of Grant Expenditures

At the time current leadership assumed responsibility of the organization, there were multiple business crises, including the rapidly emerging COVID pandemic impacting operations. Upon receipt of HRSA COVID relief grant funds, the already established chart of accounts was used to account for the grant funds without making any modifications at that time. Since then, OMC sought out and received HRSA technical assistance regarding several fiscal and accounting concerns. Through technical assistance, current leadership began restructuring the chart of accounts for compliance with federal accounting requirements. To remedy the audit findings, OMC will immediately implement its plans to modify the chart of accounts to segregate each grants' expenditures. Specific actions follow:

- OMC will revise our chart of accounts so that each grant is segregated and result in a series of separate fund accounts.
- OMC will create a Fund Accounting Procedure with specific instructions on how to create fund accounts for current and future grants as well as how to track receipts and expenditures by fund.
- The Accounting Manager will complete a monthly reconciliation of each fund account. As an internal administrative control, the Executive Director of Fiscal Operations (EDFO) will review and approve the monthly reconciliation report.
- The EDFO will present monthly reports to the Board that reflect the segregation of grant expenditures in compliance with HRSA guidelines.

Finding 2021-2 – Analysis and Adjustment of Allowance for Doubtful Accounts

At the time current leadership assumed responsibility of the organization, previous leadership had presented the need for a write-off of bad debt that had accumulated for several years prior; however, the accumulated bad debt had never been properly written-off in the electronic system. Current leadership proceeded to address the past practice of not writing off bad debt on a regular basis in February 2021, when the Board approved the elimination of the accumulation of bad debt and a monthly write-off procedure. The one time write-off of accumulated bad debt amounted to \$2.5 million from 2012 through 2020. Since March 2021, OMC has been performing monthly write-offs in accordance with Board policy and will continue to do so. The Board's write-off policy states that all accounts over 180 days that are deemed uncollectable will be written-off on a monthly basis. Our current process is as follows:

- The Accounting Manager will evaluate, analyze and record a monthly entry in the general ledger to properly write-off any uncollectable receivables based on the board-approved policy for recording bad debt.
- As an internal administrative control that reflects Generally Accepted Accounting Principles (GAAP), the EDFO will review and approve the monthly write-off adjustment prepared by the Accounting Manager to ensure effective control over, and accountability for, all funds, property, and other assets associated with the Health Centers Program project.
- The amount of the write-off is reported to the CEO and the Board during monthly Board meetings.

Finding 2021-3 – Special Tests and Provisions – Sliding Fee Discount

The new leadership of OMC recognize organizational challenges regarding documentation of sliding fee discounts in past history and have already taken steps to correct a long standing pattern. As a result of current efforts to correct past documentation errors, OMC has made significant gains in reducing the number of documentation errors and OMC has a plan to eliminate such errors in the near future. While the Billing and Collections team is auditing several front desk functions, future emphasis will be made to reconcile and double check each and every instance that a sliding fee discount is recommended by a front desk staff member. In addition, managers are now required to review and approve

every potential sliding fee discount prior to activation. Specific actions OMC will take are as follows:

- For the current fiscal year, the Director of Billing and Collections will audit each account with a sliding fee discount and will compare the income and household size documentation provided by the patient to the information entered into the electronic records system. By doing so, any errors will be identified and corrected to assure all accounts have a valid discount.
- The Clinic Manager will provide training to front desk staff and will review and approve all requests for sliding fee discounts.
- As an internal administrative control, the EDFO will review and approve any errors and corrections identified by the Director of Billing and Collections.